

Testimony on House Bill 5577  
Commerce Committee of the Connecticut Legislature  
Submitted by Robert H. Steele, Essex, CT  
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Committee Chairs Hartley and Perone, and members of the Commerce Committee, thank you for the opportunity to testify on House Bill 5577, a bill to require an evaluation of the costs and benefits of establishing certain commercial gaming within the state of Connecticut.

I am a former Member of Congress and an author who has written extensively about the state's casinos and their impact.

As Rep. Perone has noted, the legislature has not had a detailed discussion about casinos in 20 years, and the 2015 study supporting the proposed Hartford area casino was sponsored by and paid for by the Mohegan and Mashantucket Tribes, who own Mohegan Sun and Foxwoods, respectively, and are seeking to jointly open the proposed Hartford area casino.

The 2015 study estimates that the tribes' Hartford area casino would save 6,584 direct and indirect jobs and \$78.9 million a year in state tax revenue that would otherwise be lost to the new MGM casino being built in Springfield.

These numbers, it should be emphasized, are based on assumptions made in a rapidly changing environment in which the Northeast is becoming oversaturated with casinos, and the numbers have drawn considerable skepticism.

For example, the business columnist for the Hartford Courant has written that the proposed casino "would not save jobs in the numbers

(the study) projected; it would not help the central Connecticut economy in any real way; and it would not offer a long-term solution to economic growth.” And now a new 2016 study commissioned by MGM Resorts International disputes the tribes’ numbers and contends that and that Fairfield County would be better suited for a new casino.

Predictably, a tribal spokesman has criticized the MGM study, stating “it should surprise exactly no one that an MGM-funded study finds the best place to put a new casino is as far away as possible from MGM Springfield.” Equally, of course, it should surprise no one that the tribe-funded study strongly supports the proposed Hartford area casino.

The most serious problem with the tribes’ study, however, is that it only addresses the potential economic benefits of the proposed Hartford area casino and ignores the economic and social costs.

First, the study does not address the fact that the jobs, profits, and tax revenue produced by the proposed Hartford area convenience casino would come overwhelming from the gambling losses of Connecticut residents, leaving those residents with less money to spend on other goods and services and cannibalizing other sectors of the state’s consumer economy. Nobel Prize-winning economist Paul Samuelson called this the “sterile transfer” of money from one group to another without creating any new wealth.

Moreover, according to the U.S. Bureau of Economic Analysis, a U.S. consumer economy has an economic multiplier of 2 to 3, which means that for every dollar spent on the consumer economy, the re-spent dollars circulating throughout the consumer economy double or triple the economic increase. But a casino’s multiplier is below 2 at best and an extensive University of Massachusetts report indicated that the starting point for casinos was a “negative multiplier.”

Second, in addition to these economic negatives, the tribes' study does not address the social costs of expanding casino gambling, including increased addiction, personal debt, bankruptcies, broken families and crime, all of which have been the subject of an increasing number of independent scholarly studies in the United States and other countries.

According to a landmark report from the Institute for American Values, an independent, non-partisan think tank, casinos represent a regressive tax that hits low-wage earners, minorities and the elderly the hardest, thereby contributing to economic and social inequality. The growing number of local and regional casinos, the report concludes, drain wealth from communities, weaken nearby businesses, hurt property values, and reduce civic participation, family stability, and other forms of social capital that are at the heart of a successful society.

Once all the economic and social costs are factored in, a very different picture of the impact of casino gambling emerges than the one presented in one-dimensional casino-sponsored studies. In fact, the 2006 book "Gambling in America: Costs and Benefits" cites definitive academic analyses which indicate that the taxpayer costs of introducing a casino into a new area are at least \$3 for every \$1 in new tax revenues.

I applaud Rep. Perone for seeking what he has described as "a comprehensive and independent study of the costs and benefits" of opening the door to commercial casino gambling in Connecticut.

As currently written, however, House Bill 5577 does not specifically call for a study of the socio-economic costs, without which it is clearly impossible to do a comprehensive analysis of the costs and benefits of opening a commercial casino in Connecticut. Instead, the bill requires

that the state study where a potential commercial casino should be located to generate the most gambling revenue.

I therefore urge that the bill be amended to clearly require the kind of comprehensive and independent socio-economic study that would help the legislature and the public better understand the full impact of bringing commercial casino gambling to Connecticut.

Thank you

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